

TOWNSHIP OF ALBEE
SAGINAW COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Albee Township	County Saginaw
Fiscal Year End March 31, 2006	Opinion Date May 10, 2006	Date Audit Report Submitted to State May 22, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, ~~or in the~~ Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted resources (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

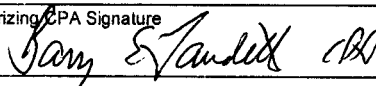
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Report on Internal Control and Compliance	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 1107 E. Eighth Street		City Traverse City	State MI
		Zip 49640	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	License Number 11050

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INTRODUCTORY SECTION

TOWNSHIP OF ALBEE
LIST OF ELECTED OFFICIALS
MARCH 31, 2006

ELECTED OFFICIALS

Leon Turnwald	Supervisor
Thomas J. Gasser	Clerk
Ron Kulhanek	Treasurer
Gary Briggs	Trustee
Doris Wasmiller	Trustee

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Township of Albee
Saginaw County, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Albee, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Albee, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Albee, Michigan, as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Township of Albee
Independent Auditors' Report
Page Two

As described in Note V(C), the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of March 31, 2006.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 10, 2006, on my consideration of the Township of Albee, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Barry E. Taudell, CPA, PC

May 10, 2006

BASIC FINANCIAL STATEMENTS

Township of Albee
Government-Wide Financial Statements
Statement of Net Assets
March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 152,694
Receivables	29,164
Restricted cash	42,986
Prepaid expenses	6,399
Due from other funds	371
Capital assets (net of accumulated depreciation):	
Land and improvements	156,411
Buildings and improvements	<u>596,663</u>
Total assets	<u>984,688</u>
LIABILITIES	
Accounts payable	9,340
Accrued expenses	1,383
Noncurrent liabilities:	
Due within one year	47,681
Due in more than one year	<u>493,014</u>
Total liabilities	<u>551,418</u>
NET ASSETS	
Invested in capital assets, net of related debt	212,379
Unrestricted	<u>220,891</u>
Total net assets	<u>\$ 433,270</u>

See notes to financial statements

Township of Albee
Government-Wide Financial Statements
Statement of Activities
For the Year Ended March 31, 2006

Functions /Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Legislative	\$ 38,790	\$	\$	\$
General				
Government	125,999	29,398		
Public safety	75,695	16,792	1,773	
Public works	97,552	90,658	2,700	
Health & welfare	512			
Culture & recreation	576			
Interest on long-term debt	<u>28,504</u>			<u>60,480</u>
Total governmental activities	<u>\$ 367,628</u>	<u>\$136,848</u>	<u>\$ 4,473</u>	<u>\$ 60,480</u>

General revenues:

- Property taxes & administrative fees
- Trailer taxes
- State revenue sharing
- Interest earnings
- Miscellaneous
- Sale of cemetery lots
- Refunds

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expense)
Revenue and
Changes in
Net Assets

Governmental
Activities

\$ (38,790)

(96,601)

(57,130)

(4,194)

(512)

(576)

31,976

(165,827)

67,454

885

161,050

2,087

1,742

225

2,278

235,721

69,894

363,376

\$ 433,270

Township of Albee
Balance Sheet
Governmental Funds
March 31, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Refuse Collection</u>	<u>Fire Station</u>
ASSETS				
Cash and cash equivalents	\$ 43,829	\$	\$108,311	\$ 554
Receivables	6,087		14,017	9,060
Restricted cash	42,986			
Prepaid expenses	6,399			
Due from other funds	371			
Total assets	<u>\$ 99,672</u>	<u>\$</u>	<u>\$122,328</u>	<u>\$ 9,614</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,999	\$	\$ 6,341	\$
Accrued liabilities	1,383			
Total liabilities	<u>4,382</u>		<u>6,341</u>	
Fund balances:				
Reserved for:				
Community Center	42,986			
Unreserved,				
reported in:				
General fund	52,304			
Refuse collection			115,987	
Fire station				9,614
Total fund balances	<u>95,290</u>		<u>115,987</u>	<u>9,614</u>
Total Liabilities and Fund Balances	<u>\$ 99,672</u>	<u>\$</u>	<u>\$122,328</u>	<u>\$ 9,614</u>

See notes to financial statements

**Total
Governmental
Funds**

\$ 152,694
29,164
42,986
6,399

371

\$ 231,614

\$ 9,340
1,383

10,723

42,986

52,304
115,987
9,614

220,891

\$ 231,614

Township of Albee
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
March 31, 2006

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 220,891
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Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	1,134,331
Accumulated depreciation	(381,257)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(540,695)</u>
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Total Net Assets - Governmental Activities	<u>\$ 433,270</u>
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See notes to financial statements

Township of Albee
Statement of Revenues, Expenditures, and Changes
in Fund Balance
Governmental Funds
For the Year Ended March 31, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Refuse Collection</u>	<u>Fire Station</u>
REVENUES				
Tax revenues:				
Taxes & adm. fees	\$ 67,454	\$	\$	\$
Trailer taxes	885			
Licenses & permits	16,792			
Intergovernmental revenue from federal government:				
Public safety	820			
Intergovernmental revenue from state:				
State revenue sharing	161,050			
Public safety	953			
Annual maint. fee	2,700			
Interest and rents:				
Interest earnings	341		1,746	
Rents	29,398			
Other revenue:				
Miscellaneous	1,742			
Special assessments			90,658	60,480
Sale of cemetery lots	225			
All other refunds	2,278			
Total revenues	<u>284,638</u>		<u>92,404</u>	<u>60,480</u>
EXPENDITURES				
Current:				
Legislative	38,790			
General government	112,226			
Public safety	45,893			
Public works	84,091		13,461	
Health & welfare	512			
Culture & recreation	576			
Debt service:				
Principal		72,316		
Interest		28,504		
Total expenditures	<u>282,088</u>	<u>100,820</u>	<u>13,461</u>	
Excess (deficiency) of revenues over (under) expenditures	2,550	(100,820)	78,943	60,480

**Total
Governmental
Funds**

\$ 67,454
885
16,792

820

161,050
953

2,700

2,087
29,398

1,742
151,138

225
2,278

437,522

38,790
112,226
45,893
97,552
512
576

72,316
28,504

396,369

41,153

Township of Albee
Statement of Revenues, Expenditures, and Changes
in Fund Balance
Governmental Funds
For the Year Ended March 31, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Refuse Collection</u>	<u>Fire Station</u>
OTHER FINANCING SOURCES (USES)				
Transfers in(out)	<u>6,180</u>	<u>100,820</u>	<u>(40,000)</u>	<u>(67,000)</u>
Net changes in fund balances	8,730		38,943	(6,520)
Fund balances - beginning	<u>86,560</u>	<u> </u>	<u>77,044</u>	<u>16,134</u>
Fund balances - ending	<u>\$ 95,290</u>	<u>\$ </u>	<u>\$115,987</u>	<u>\$ 9,614</u>

See notes to financial statements

Total
Governmental
Funds

41,153

179,738

\$ 220,891

Township of Albee
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2006

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances -	
total governmental funds	\$ 41,153

Governmental funds report capital outlays
as expenditures. However, in the statement
of activities the cost of those assets is
allocated over their estimated useful lives
and reported as depreciation expense. Since
there were not any capital outlays, this is
the depreciation in the current period. (43,575)

The issuance of long-term debt provides
current financial resources to governmental
funds, while the repayment of the principal
of long-term debt consumes the current
financial resources of governmental funds.
Neither transaction, however, has any effect
on net assets. This amount is the net effect
of these differences in the treatment of long-
term debt and related items. 72,316

Change in net assets of governmental activities	<u>\$ 69,894</u>
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See notes to financial statements

Township of Albee
Statement of Fiduciary Funds
Fiduciary Funds
March 31, 2006

	<u>Tax Collection Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>371</u>
Total assets	<u>371</u>
LIABILITIES	
Due to other funds	<u>371</u>
NET ASSETS	
Held in trust for other purposes	<u><u>\$</u></u>

See notes to financial statements

Township of Albee
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended March 31, 2006

	<u>Tax Collection Fund</u>
ADDITIONS	
Property tax collections, special assessments and fees	<u>\$1,409,222</u>
Total additions	<u>1,409,222</u>
DEDUCTIONS	
Payments to general fund	67,454
Payments to garbage fund	90,658
Payments to fire station fund	60,480
Payments to other governmental units	<u>1,190,630</u>
Total deductions	<u>1,409,222</u>
Changes in net assets	
Net assets - beginning	<u> </u>
Net assets - ending	<u>\$ </u>

See notes to financial statements

Township of Albee
Notes to the Financial Statements
March 31, 2006

I. Summary of significant accounting policies

The financial statements of the Township of Albee (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-wide financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Saginaw County, which advances the Township 100% for the delinquent taxes.

The 2005 taxable valuation of the Township totaled \$47,693,517, on which ad valorem taxes levied consisted of .9767 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$20,874 to collect the taxes and applicable interest.

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *refuse collection fund* is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *fire station fund* is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Township reports the following fiduciary fund:

The *current tax collection fund* is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The Township did not have any proprietary funds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member

of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term interfund receivables/payable

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

3. Receivables and payables

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

4. Restricted assets

Certain resources of the Township's general fund set aside for the repayment of Community Center loans, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable loan covenants.

5. Capital assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Machinery and equipment	5

6. *Compensated absences*

The Township does not have a compensated absence policy.

7. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

8. *Fund equity*

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. *Comparative data/reclassifications*

If the Township had an individual enterprise fund, comparative total data for the prior year would have been presented only in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. Stewardship, compliance, and accountability

A. *Budgetary information*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined

statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has not been amended. Supplemental appropriations were made during the year with the last one approved prior to April 1st.

B. Excess of expenditures over appropriations

For the year ended March 31, 2006, expenditures exceeded appropriations in the activities of the assessor, community center, and water study (the legal level of budgetary control) of the general fund by \$4,559, \$10,335, and \$15,281, respectively. These overexpenditures were funded by the available fund balance in the general fund.

III. Detailed notes on all funds

A. Deposits, investments and credit risk

Deposits

At year-end, the carrying amount of the Township's deposits were \$196,051 (includes \$371 in the Tax Collection Fund) and the bank balance was \$228,171, of which \$228,171 was covered by federal depository insurance.

Investments

The Township did not have any investments.

Interest Rate Risk - The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Township's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Township shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the Currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Township shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Township held in trust by the financial institution or bank. The Township may choose collateralization in the following form and percentages:

- | | |
|-------------------------------------|------------|
| 1. U.S. Treasury Notes | - 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - 75% and |
| 3. Mortgage Backed Securities | - 25% |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Township.

The Township has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Township places no limit on the amount the Township may invest in any one issuer.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	<u>\$ 195,680</u>
Cash and cash equivalents:	
General fund	\$ 87,663
Refuse collection fund	108,311
Fire station fund	554
Checks written in excess of deposits	<u>(848)</u>
Total	<u>\$ 195,680</u>

B. Receivables

The Township is owed delinquent property taxes from the County of Saginaw in the amount of \$6,087. The County also owes the delinquent special assessments of \$9,060 to the Township for the Fire Station Fund and collection fees of \$14,017 for the Refuse Collection Fund.

C. Capital assets

Capital asset activity for the year ended March 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land & improvements	\$ 156,411	\$ _____	\$ _____	\$ 156,411
Capital assets, being depreciated:				
Buildings & improvements:				
Community center	550,900			550,900
Fire station	280,392			280,392
Machinery & equipment:				
Office	5,328			5,328
Parks	25,091			25,091
Fire	113,960			113,960
Township hall	1,634			1,634
Other	615			615
Total capital assets being depreciated	<u>977,920</u>	<u>_____</u>	<u>_____</u>	<u>977,920</u>
Less accumulated depreciation for:				
Buildings & improvements:				
Community center	(192,816)	(13,773)		(206,589)
Fire station	(21,030)	(7,010)		(28,040)
Machinery & equipment:				
Office	(5,328)			(5,328)
Parks	(25,091)			(25,091)
Fire	(91,168)	(22,792)		(113,960)
Township hall	(1,634)			(1,634)
Other	(615)			(615)
Total accumulated depreciation	<u>(337,682)</u>	<u>(43,575)</u>	<u>_____</u>	<u>(381,257)</u>
Total capital assets, being depreciated, net	<u>640,238</u>	<u>(43,575)</u>	<u>_____</u>	<u>596,663</u>
Governmental activities capital assets, net	<u>\$ 796,649</u>	<u>\$ (43,575)</u>	<u>\$ _____</u>	<u>\$ 753,074</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 13,773
Public safety	<u>29,802</u>
Total depreciation expense- governmental activities	<u>\$ 43,575</u>

D. Interfund receivables, payables, and transfers

Interfund transfers:

Transfer out:	Transfer In:			Total
	General Fund	Debt Service Fund	Other Gov't'l	
General fund	\$	\$ 33,820	\$	\$ 33,820
Refuse collection fund	40,000			40,000
Fire station fund		67,000		67,000
Total transfers out	<u>\$40,000</u>	<u>\$100,820</u>	<u>\$</u>	<u>\$140,820</u>

The composition of interfund balances as of March 31, 2006, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Tax collection	<u>\$ 371</u>

E. Long-term debt

Notes Payable

The Township has borrowed funds to provide to provide funds for the acquisition and construction of major capital facilities. Notes payable issued for governmental activities and are recorded in the general fund and the fire station fund. The original amount of the loans issued in prior years was \$780,392.32.

General obligation notes are direct obligations and pledge the full faith and credit of the government. These notes were issued for between a 5 to 22 year payment schedule. The principal maturing each year varies. General obligation notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	4.65%	<u>\$ 540,695</u>

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending March 31	Community Center Building		Fire Station Building	
	Principal	Interest	Principal	Interest
2007	\$ 14,226	\$ 19,594	\$ 33,455	\$ 5,549
2008	19,114	19,886	49,327	3,993
2009	20,022	18,978	36,545	1,699
2010	368,006	18,027		
Total	<u>\$ 421,368</u>	<u>\$ 76,485</u>	<u>\$119,327</u>	<u>\$ 11,241</u>

Changes in long-term liabilities

Long-term liability activity for the year ended March 31, 2006, was as follows:

	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental activities:				
Notes payable:				
Community Center	\$ 434,963	\$ (13,595)	\$ 421,368	\$ 14,226
Fire Station	178,048	(58,721)	119,327	33,455
	<u>\$ 613,011</u>	<u>\$ (72,316)</u>	<u>\$ 540,695</u>	<u>\$ 47,681</u>

There were no additions to loans during the current fiscal year.

F. Restricted assets

The Township originally had a General Obligation Bond with the Federal Government for the repayment of the bonds used for the construction of the Community Center Building on April 1, 1991. Terms of the bond required that money be reserved for the repayment of the bonds.

On April 7, 2003, the bonds were remortgaged with Montrose State Bank.

The Township has in checking, savings and certificate of deposits a total of \$42,986 as of March 31, 2006.

V. Other information

A. Risk management

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation).

The Township has purchased commercial insurance for all risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

B. Pension plan

The Township does not provide a pension plan for its employees.

C. Implementation of new accounting standard

As of and for the year ended March 31, 2006, the Township implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

D. Subsequent Events

The Community Building loan was refinanced on April 12, 2006, with Montrose State Bank. The loan amount is \$418,661.26 with a maturity of April 6, 2009, and an interest rate of 4.65%. The Township will pay this loan in two(2) regular payments of \$39,000 each and one irregular last payment estimated at \$397,249.40. The first payment is due April 6, 2007.

Required Supplementary Information

Township of Albee
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
-Budget and Actual
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Tax revenues:				
Property taxes and related fees	\$ 64,000	\$ 64,000	\$ 67,454	\$ 3,454
Trailer taxes	1,100	1,100	885	(215)
Licenses & permits	12,000	12,000	16,792	4,792
Intergovernmental revenue from federal government:				
Public safety	1,000	1,000	820	(180)
Intergovernmental revenue from state:				
State revenue sharing	155,000	155,000	161,050	6,050
Public safety			953	953
Annual maintenance fee			2,700	2,700
Interest and rents:				
Interest earnings	300	300	341	41
Rents	40,000	40,000	29,398	(10,602)
Other revenue:				
Miscellaneous	2,000	2,000	1,742	(258)
Sale of cemetery lots	500	500	225	(275)
All other refunds	1,500	1,500	2,278	778
Total revenues	<u>277,400</u>	<u>277,400</u>	<u>284,638</u>	<u>7,238</u>
EXPENDITURES				
Current:				
Legislative:				
Township board	<u>40,960</u>	<u>40,960</u>	<u>38,790</u>	<u>2,170</u>

Township of Albee
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
-Budget and Actual
For the Year Ended March 31, 2006
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
EXPENDITURES				
(CONTINUED) :				
Current:				
General government:				
Supervisor	10,600	10,600	10,118	482
Elections	2,000	2,000	1,080	920
Clerk	18,800	18,800	16,926	1,874
Board of review	675	675	675	
Assessor	10,000	10,000	14,559	(4,559)
Treasurer	17,147	17,147	16,941	206
Board of appeals	90	90	90	
Twp. hall & grounds	10,100	10,100	9,857	243
Community center	30,700	30,700	41,035	(10,335)
Cemetery	1,000	1,000	945	55
Total general government	<u>101,112</u>	<u>101,112</u>	<u>112,226</u>	<u>(11,114)</u>
Public safety:				
Police-contracted	7,400	7,400	7,353	47
Fire department	36,000	36,000	27,913	8,087
Planning & zoning	10,100	10,100	1,965	8,135
Building inspection	11,500	11,500	8,662	2,838
Total public safety	<u>65,000</u>	<u>65,000</u>	<u>45,893</u>	<u>19,107</u>
Public works:				
Sanitation	70,000	70,000	61,559	8,441
Water study			15,281	(15,281)
Roads	59,223	59,223	4,311	54,912
Street lights	3,000	3,000	2,940	60
Total public works	<u>132,223</u>	<u>132,223</u>	<u>84,091</u>	<u>48,132</u>
Health & welfare:				
Health center	600	600	512	88
Culture & recreation	2,000	2,000	576	1,424

Township of Albee
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
-Budget and Actual
For the Year Ended March 31, 2006
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
EXPENDITURES				
(CONTINUED)				
Total expenditures	<u>341,895</u>	<u>341,895</u>	<u>282,088</u>	<u>59,807</u>
Excess of revenues over expenditures	<u>(64,495)</u>	<u>(64,495)</u>	<u>2,550</u>	<u>67,045</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>2,000</u>	<u>2,000</u>	<u>40,000</u>	<u>38,000</u>
Transfer out	<u>(33,820)</u>	<u>(33,820)</u>	<u>(33,820)</u>	<u> </u>
Total other other financing sources and uses	<u>(31,820)</u>	<u>(31,820)</u>	<u>6,180</u>	<u>38,000</u>
Net change in fund balances	<u>(96,315)</u>	<u>(96,315)</u>	<u>8,730</u>	<u>105,045</u>
Fund balances - beginning	<u>26,315</u>	<u>26,315</u>	<u>86,560</u>	<u>60,245</u>
Fund balances - ending	<u><u>\$(70,000)</u></u>	<u><u>\$(70,000)</u></u>	<u><u>\$ 95,290</u></u>	<u><u>\$ 165,290</u></u>

See notes to financial statements

Township of Albee
Refuse Collection Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Other revenue:				
Special assessments	\$ 88,000	\$ 88,000	\$ 90,658	\$ 2,658
Interest earnings			1,746	1,746
Total revenues	<u>88,000</u>	<u>88,000</u>	<u>92,404</u>	<u>4,404</u>
EXPENDITURES				
Public works:				
Refuse collection	<u>18,000</u>	<u>18,000</u>	<u>13,461</u>	<u>4,539</u>
Total expenditures	<u>18,000</u>	<u>18,000</u>	<u>13,461</u>	<u>4,539</u>
Excess (deficiency) of revenues over (under) expenditures	70,000	70,000	78,943	8,943
OTHER FINANCING SOURCES (USES)				
Transfers in(out):				
General fund	<u>(2,000)</u>	<u>(2,000)</u>	<u>(40,000)</u>	<u>(38,000)</u>
Net change in fund balances	68,000	68,000	38,943	(29,057)
Fund balances- beginning			<u>77,044</u>	<u>77,044</u>
Fund balances- ending	<u>\$ 68,000</u>	<u>\$ 68,000</u>	<u>\$115,987</u>	<u>\$ 47,987</u>

See notes to financial statements

Township of Albee
Fire Station Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Other revenue:				
Special assessments	\$ 58,730	\$ 58,730	\$ 60,480	\$ 1,750
Total revenues	<u>58,730</u>	<u>58,730</u>	<u>60,480</u>	<u>1,750</u>
EXPENDITURES				
Public safety				
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	58,730	58,730	60,480	1,750
OTHER FINANCING				
SOURCES (USES)				
Transfers out:				
Debt service fund	(67,000)	(67,000)	(67,000)	
Net change in fund balances	(8,270)	(8,270)	(6,520)	1,750
Fund balances- beginning			<u>16,134</u>	<u>16,134</u>
Fund balances- ending	<u>\$ (8,270)</u>	<u>\$ (8,270)</u>	<u>\$ 9,614</u>	<u>\$ 17,884</u>

See notes to financial statements

Members of the Township Board
Township of Albee
Saginaw County, Michigan

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

I have audited the financial statements of the governmental activities and each major fund of Township of Albee, Saginaw County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township of Albee, Michigan's basic financial statements and have issued my report thereon dated May 10, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Township of Albee's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards
Township of Albee
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Albee's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Barry E. Vandette, CPA, PC

May 10, 2006

COMMENTS AND RECOMMENDATIONS

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Members of the Township Board
Township of Albee
Saginaw County, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

Chart of Accounts

The Township uses the Uniform Chart of Accounts for Local Units of Government in Michigan, but there are several accounts that have not been assigned a number. I recommend that the Township assign account numbers to those without a number.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Township Board and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

May 10, 2006